

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BANGKOK

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E.O. 11652 NA

TAGS: ETRD, EAGR

SUBJ: THAI REQUEST FOR INCREASED SUGAR QUOTA

REFS: (A) BANGKOK 2551 (B) BANGKOK 2206 (C) STATE 33242

1. DEPARTMENT HAS BEEN STUDYING THAI REQUEST FOR INCREASED SUGAR QUOTA SINCE LATE JANUARY WHEN THAI AMBASSADOR ANAND RAISED SUBJECT WITH OFFICE OF INTERNATIONAL COMMODITIES.

2. AFTER EXHAUSTIVE EXAMINATION OF THE ALTERNATIVES, IT WAS DECIDED, BECAUSE OF FOREIGN RELATIONS PROBLEMS WITH OTHER PRODUCING COUNTRIES WHICH COULD ARISE AS A RESULT OF A SIGNIFICANT INCREASE IN THE THAI QUOTA (WITH CONCOMMITANT DECREASE IN MARKET SHARE OF THOSE COUNTRIES) THAT THE DEPARTMENT IN ITS TESTIMONY BEFORE THE HOUSE COMMITTEE

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WOULD REFRAIN FROM SUGGESTING "AT THIS TIME" ANY SPECIFIC

CHANGE IN COUNTRY QUOTAS.

3. DEPARTMENT HAS -LEFT OPTION OPEN TO SEEK AT A LATER DATE AN INCREASE-IN SOME COUNTRY QUOTAS, ESPECIALLY IF COMMITTEE UNDERTAKES REALLOCATION OF A QUOTA REDUCTION FOR ANOTHER COUNTRY/COUNTRIES.

4. WE WILL CONTINUE TO EXPLORE WITHIN DEPARTMENT POSSIBILITY OF SUPPORTING THAI REQUEST COMMENSURATE WITH ITS INCREASED CAPACITY TO SUPPLY U.S. MARKET. EMBASSY IN

DISCUSSION WITH RTG OFFICIALS SHOULD NOTE WITHOUT AROUSING OPTIMISM THAT POSSIBILITY FOR INCREASED QUOTA HAS NOT BEEN FORECLOSED DESPITE DECISION THAT DEPARTMENT WILL NOT RECOMMEND CHANGES AT THIS TIME.

5. EMBASSY MAY WISH TO DRAW UPON FOLLOWING PERTINENT PARAGRAPH FROM TESTIMONY DEPUTY ASSISTANT SECRETARY KATZ BEFORE HOUSE AGRICULTURAL COMMITTEE FEBRUARY 19TH IN DISCUSSIONS ON THIS MATTER.

"IN PAST RENEWALS OF THE SUGAR ACT, THE PROBLEM OF ALLOCATION OF FOREIGN QUOTAS HAS BEEN ONE OF THE MOST DIFFICULT ISSUES FACING THE CONGRESS AND THE ADMINISTRATION WHILE GOOD ARGUMENTS CAN BE MADE FOR INCREASING THE QUOTAS OF CERTAIN COUNTRIES, OR FOR DECREASING OR REMOVING THE QUOTAS OF CERTAIN COUNTRIES, SUCH CHANGES INVOLVE JUDGMENTAL FACTORS WHICH ARE BOUND TO BE ARBITRARY. MAJOR CHANGES IN QUOTAS THUS HAVE THE POTENTIAL FOR CAUSING ADVERSE COMPLICATIONS IN OUR FOREIGN RELATIONS. WHILE WE MAY GAIN ADVANTAGE BY INCREASING THE QUOTA OF ONE COUNTRY, WE RISK THE DISPLEASURE OF THE COUNTRY OR COUNTRIES WHOSE QUOTAS ARE REDUCED AS A CONSEQUENCE, AS WELL AS THOSE COUNTRIES DISAPPOINTED BECAUSE THEY HAVE NOT OBTAINED AN INCREASE IN QUOTA. THE DEPARTMENT IS, THEREFORE, NOT SUGGESTING AT THIS TIME ANY SPECIFIC CHANGE IN QUOTAS. WE RECOGNIZE THAT THE COMMITTEE WILL WISH TO EXAMINE THE PAST PERFORMANCE OF FOREIGN SUPPLIERS AND MAY WISH TO MAKE ADJUSTMENTS WHERE COUNTRIES ARE UNLIKELY TO BE ABLE TO MEET QUOTAS IN THE FUTURE. WE WOULD BE LIMITED OFFICIAL USE

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PLEASED TO WORK WITH THE COMMITTEE IN PROVIDING DETAILED INFORMATION REGARDING SUPPLY AVAILABILITIES AS WELL AS SUGGESTIONS ON HOW TO REALLOCATE ANY QUOTA REDUCTIONS."

6. THE DEPARTMENT HAS BEEN INFORMED THAT THE THAI HAVE HIRED A WASHINGTON LAW FIRM TO PRESENT THEIR CASE BEFORE THE CONGRESS AND A REPRESENTATIVE WILL TESTIFY NEXT WEEK. RUSH

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